

HALF-YEAR REPORT 2022



01

KONTRON GROUP OVERVIEW



KEY FIGURES

IN EUR MIO.	6M 2022	6M 2021
Revenues	660.7	600.6
Gross profit	245.9	233.1
EBITDA	62.6	58.3
Amortisation and depreciation	30.1	31.7
EBIT before PPA amortisation ¹⁾	36.7	31.8
Result after non-controlling interests	24.4	20.5
Operating cash flow	-71.1	-12.6
Free cash flow ²⁾	-88.2	-35.3

1) EBIT before amortisation from purchase price allocation

2) Operating cash flow less purchase of non-current non-financial assets

IN EUR MIO.	30.06.2022	31.12.2021
Cash and cash equivalents	167.6	296.5
Equity	432.5	423.3
Equity ratio	34.2%	31.3%
Net Cash (+) / Net debt (-) ³⁾	-134.2	-14.2
Working capital ⁴⁾	246.8	149.9
Backlog	1,512.7	1,334.9
Project-pipeline	3,771.5	3,367.0
Employees ⁵⁾	5,991	6,206

3) Cash and cash equivalents less non-current and current financial liabilities

4) Inventories, trade receivables less trade payables (excl. IFRS 15)

5) Number of employees on full time equivalent basis without employees on parental leave, trainees and apprentices



THE NEW KONTRON GROUP

The past quarter was the first under our new company name “Kontron”, following a resolution at the Annual General Meeting on May 6, 2022, to change the name from S&T AG to Kontron AG. We market our IoT products under the Kontron brand and the change of company name is synonymous with our gradual transformation to a pure IoT provider. The new Kontron will focus on industrial IoT products, with the target of increasing our EBITDA margin to over 15% in the long term. Project “Focus”, to evaluate the sale of the IT services business, is proceeding according to plan and we expect a decision in the third quarter of 2022. With the proceeds from the sale, we will continue to expand our IoT activities and carry out planned major IoT acquisitions.

The new Kontron was able to build on its business success in the second quarter of 2022 and, despite all adversities, continue where the last quarter left off while still under the S&T name. Kontron achieved strong organic revenue growth of 10% to EUR 331 million, with an EBITDA of EUR 33.1 million, almost achieving the 10% profitability target. At EUR 405 million, order intake was again significantly higher than generated revenue and above plan for the sixth time in a row, with a book-to-bill ratio of 1.22. This demonstrates a robust course of growth, even though the market environment is anything but friendly.

Interrupted supply chains continue to present a major challenge. With a high level of commitment, newly developed products and increased inventory, we have been able to organically increase our revenues by double digits now for the second quarter in a row. The increased inventory in response to the supply chain bottlenecks makes Kontron more capable of delivering than its competitors. Our financial reserves make it possible to finance this step in order to gain market share during these challenging times. Nevertheless, the value of overdue orders increased further to EUR 127 million. However, based on continuous improvements in the procurement market, we expect to deliver the majority of these orders during the remainder of the financial year 2022.

Furthermore, as planned, we started our withdrawal from Russia in the second quarter and have already partially executed it. This will help us to largely reduce additional liabilities caused by the war in Ukraine and the sanctions against Russia. By the end of the year, we want to be largely independent of developments in these regions.

Despite the market environment and the many influencing factors over which we have little control, we remain optimistic for 2022. In financial year 2021, we were able to book new orders worth EUR 1,743 million and a further EUR 841 million in the first half of 2022. This means EUR 581 million more than the revenue in the same period accounted for, thus EUR 581 million in growth, which we will be able to realise in the short term if the chip delivery situation improves.

For this reason – without taking into account the planned sale of IT services – we continue to expect 12% organic growth to EUR 1,500 million in 2022, despite ongoing problems in the supply chains and the loss of revenues from Russia. Should the sale of the IT service division be implemented, we plan to replace the lost revenues with IoT revenues in the short term and expect revenues to increase to EUR 2,000 million by 2025 with a significantly higher EBITDA margin of 13%. With our project “Focus” we are already laying the foundation for this today.

Hannes Niederhauser, CEO



HALF-YEAR MANAGEMENT REPORT



CONTINUED STRONG REVENUE AND EARNINGS GROWTH DESPITE ONGOING CHIP SHORTAGES

Revenues increased again compared to the same period of the previous year from EUR 600.6 million in the first half of 2021 to EUR 660.7 million in the first 6 months of the current financial year. This represents an increase of 10.0% compared to the same period of the previous year. EBITDA increased by 7.3% to EUR 62.6 million (PY: EUR 58.3 million). The long-standing strategy of profitable revenue growth has therefore continued once again in the first half of 2022. Revenues in the second quarter of 2022 increased to EUR 331.0 million, compared with EUR 306.5 million in the same period of the previous year. EBITDA for the second quarter of 2022 amounted to EUR 33.1 million, compared to EUR 30.1 million in the same period in the previous year. This represents an increase of 10.2%.

Gross profit for the first half of 2022 amounted to EUR 245.9 million compared to EUR 233.1 million in the same period of the previous year. The increased procurement costs due to the global shortage of components were once again noticeable, as a result of which the gross margin fell by 1.6% to 37.2% in the first half of 2022 (PY: 38.8%). Gross profit in the second quarter of 2022 increased to EUR 125.8 million (PY: EUR 117.0 million).

Personnel costs increased by 9.2% to EUR 164.4 million in the first half of 2022 (PY: EUR 150.6 million), whereas the number of employees (excluding apprentices and people on maternity leave or training contracts), measured in full-time equivalents, declined from 6,138 employees as of June 30, 2021, to 5,991 employees as of June 30, 2022, in particular due to the sale of the majority stake in RTSoft Project OOO, Russia, and its subsequent deconsolidation in the second quarter of 2022. At the end of 2021, the number of employees was still 6,206.

The result from the period attributable to owners of interests in Kontron (based on non-controlling interests) in the second quarter of 2022 amounted to EUR 12.8 million compared to EUR 10.4 million in the corresponding period in 2021, representing an increase of 23.0%. For the first half of the financial year, earnings improved from EUR 20.5 million to EUR 24.4 million. Earnings per share (undiluted) increased during the past six months by 18.8% to 38 cents (PY: 32 cents).

About the three segments of the Kontron Group:

- › **“IT Services”**: In this segment, which bundles all activities of the IT services segment in the regions DACH and Eastern Europe, revenue increased by around 8.9% in the second quarter of 2022 from EUR 122.6 million to EUR 133.6 million. Overall, revenue in the “IT Services” segment rose by around 13.7% in the first half of 2022 from EUR 243.0 million to EUR 276.3 million. The EBITDA before headquarters costs increased slightly in the isolated second quarter of the current financial year from EUR 10.4 million to EUR 11.0 million. For the first half of the year, this meant a slight reduction in EBITDA from EUR 20.5 million to EUR 19.6 million. The lower profitability, despite a further increase in revenues, is also the result of significant delays in customers’ projects due to the chip crisis. This also led to delays in the implementation of projects with higher margin products combined with services. There were no further acquisitions in the “IT Services” segment in the second quarter. The first half of 2022 was characterised by the evaluation of the sale of the “IT Services” segment as part of the “Focus” project, which Kontron AG had already started in 2021. In addition, the organisational merger of PSB IT-Service GmbH, acquired in 2021, with CITYCOMP Service GmbH took place in the first half of the year.
- › **“IoT Solutions Europe”**: In this segment, the Kontron Group bundles its activities to develop secure solutions for networking machines (“Internet-Of-Things” or “IoT”) using a combined portfolio of hardware, middleware, software and services. Kontron also meets the requirements of Industry 4.0. In the “IoT Solutions Europe” segment, revenues increased by 4.5% from EUR 159.0 million to EUR 166.1 million in the second quarter, with supply chain problems resulting from the ongoing chip shortage leading to a further increase in revenue offsets compared to March 31, 2022. The entire first half of 2022 saw an increase in revenue of 6.0%, with revenue increasing from EUR 310.9 million in the first half of 2021 to EUR 329.6 million. Profitability increased even further, with EBITDA before headquarters costs rising by 16.6% in the second quarter from EUR 18.1 million to EUR 21.2 million. For the first half year overall this resulted in an increased EBITDA from EUR 36.8 million to EUR 42.1 million, representing an increase of 14.4%. This increase is primar-

ily attributable to new projects in the industrial and transport customer sector, where cooperation with leading railway companies in particular has been successfully expanded.

- › **"IoT Solutions America"**: The "IoT Solutions America" segment includes the solutions in the vertical markets of transportation and aviation as well as communications in the North America region. Revenue in this segment amounted to EUR 31.3 million in the second quarter of 2022, which corresponds to a strong increase of 26.2% (PY: EUR 24.8 million), after revenue fell by 22.7% in the same period of the previous year, in particular due to developments in the aviation industry and the development of the US dollar exchange rate. For the first half of 2022, this represents revenue growth of EUR 46.7 million to EUR 54.8 million compared to the first half of 2021. EBITDA before headquarter costs for this segment amounted to EUR 1.0 million in the second quarter (PY: EUR 1.5 million) or EUR 0.9 million in the first half of the year (PY: EUR 1.0 million). After this segment reported negative EBITDA in the first quarter of 2022, both the second quarter and the entire first half of the year were closed with positive EBITDA.

IN EUR MIO.	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		KONTRON GROUP	
	6M 2022	6M 2021	6M 2022	6M 2021	6M 2022	6M 2021	6M 2022	6M 2021
Total revenues	284.4	252.8	404.2	371.6	61.3	52.7	749.9	677.1
Internal revenues	-8.1	-9.8	-74.6	-60.7	-6.5	-6.0	-89.2	-76.5
Revenues	276.3	243.0	329.6	310.9	54.8	46.7	660.7	600.6
EBITDA before HQ-Charging*)	19.6	20.5	42.1	36.8	0.9	1.0	62.6	58.3
EBITDA after HQ-Charging**)	23.3	24.2	39.1	34.0	0.2	0.1	62.6	58.3

*) EBITDA adjusted for headquarter charging of Kontron AG (former S&T AG)

***) EBITDA after all headquarter charging of Kontron AG (former S&T AG)

IN EUR MIO.	IT SERVICES		IOT SOLUTIONS EUROPE		IOT SOLUTIONS AMERICA		KONTRON GROUP	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
Total revenues	137.2	129.2	206.4	189.1	35.4	27.9	378.9	346.2
Internal revenues	-3.6	-6.5	-40.3	-30.1	-4.0	-3.1	-47.9	-39.7
Revenues	133.6	122.6	166.1	159.0	31.3	24.8	331.0	306.5
EBITDA before HQ-Charging*)	11.0	10.4	21.1	18.1	1.0	1.5	33.1	30.1
EBITDA after HQ-Charging**)	12.9	12.5	19.9	16.7	0.4	0.9	33.1	30.1

*) EBITDA adjusted for headquarter charging of Kontron AG (former S&T AG)

***) EBITDA after all headquarter charging of Kontron AG (former S&T AG)

FINANCIAL SITUATION SOLID, BUT BURDENED BY INVENTORY BUILD-UP

The company's asset and liquidity situation remains positive, despite the build-up of inventories in connection with the chip crisis leading to a corresponding reduction in liquid assets. As of June 30, 2022, cash and cash equivalents amounted to EUR 167.6 million compared to EUR 296.5 million as of December 31, 2021, and EUR 224.3 million as of March 31, 2022. In addition to the inventory build-up in connection with the chip crisis, the dividend of around EUR 22.3 million paid in June for the financial year 2021 also reduced liquid assets. Likewise, factoring was reduced in the first half of 2022 due to the general negative interest rate situation that prevailed until recently, in addition to custody fees. Furthermore, the company has access to unused financing lines, in order to finance the Kontron Group's increased liquidity requirements, also in the short term. The financial result remained virtually unchanged at minus EUR 4.8 million (PY: minus EUR 4.3 million). As of June 30, 2022, net debt increased to EUR 134.2 million (December 31, 2021: EUR 14.2 million | March 31, 2022: EUR 85.8 million). Equity amounted to EUR 432.5 million as of June 30, 2022 (December 31, 2021: EUR 423.3 million | March 31, 2022: EUR 433.0 million). This slight decline compared to Q1 2022 is attributable in particular to the dividend payment of 35 cents per dividend-bearing share. Nevertheless, due to the reduced balance sheet total compared to the end of 2021, the equity ratio rose to 34.2% as of June 30, 2022 (December 31, 2021: 31.3%). The cash flow from operating activities for the second quarter of 2022 amounted to minus EUR 11.1 million (PY: EUR 14.2 million). Operating cash flow of minus EUR 71.1 million was recorded in the first half of the year (PY: minus EUR 12.6 million), which — as in the first half of 2021 — is attributable, among other things, to the build-up of inventory resulting from the chip shortage. Due to the strong order situation, management expects to reduce a significant proportion of the increased inventory during the financial year 2022 and to improve operating cash flow accordingly.

OPPORTUNITIES AND RISKS

The positioning of the Kontron Group as a leading international provider of Industry 4.0 and Internet of Things technology and a well-known system integrator with a focus on the development of its own technologies and presence in the DACH (Germany, Austria, Switzerland), Eastern Europe, North America and Chinese markets is still maintained, while presence in the Russian market was significantly reduced due to the partial sale of RTSoft companies. The strategic goal of management to further transform the Kontron Group into a leading innovative technology company and solution provider with the highest possible proportion of in-house development, especially in the software sector, as well as increasing focus on IoT services, higher profit margins due to increasing added value are consistently pursued regardless of the ongoing corona and supply chain crises. That is why an evaluation of the sale of the IT Services segment was launched in 2021 as part of Project "Focus".

The corona and chip crisis also stood out in the first half of 2022 and the past second quarter: In particular, the economic impact of the lockdown in Shanghai, which had a significant impact on supply chains in the technology sector with regard to the supply of chips. The lockdown in Shanghai has already ended, but the war in Ukraine is also impacting supply chains, meaning there is still no easing of the situation in sight. Apart from this, however, there is still hope that the European "NextGeneration EU" plan can provide the necessary impetus. The Kontron Group expects that the recovery plan's focus on digitalisation and green technologies, to name but two priorities, will also open up opportunities for the Kontron Group. In the vertical end markets in which the Kontron Group is active, there was an unexpectedly rapid recovery in aviation technology. However, the management of the Kontron Group assumes that economic development will continue to be volatile over the medium term against the backdrop of the numerous current uncertainty factors.

There is also a risk that taxation regulations may change, which can occur especially if governments have to consolidate their budgets to meet extremely high recent costs. In addition, the aggravated chip shortage presents a risk to the Kontron Group's business, which affects the IoT segments both in terms of hardware components and system integration projects in the IT services sector. This also led to significant delivery delays in the first half of 2022 and had a negative impact on the profitability of the group. Likewise, the chip shortage and the development of energy prices also led to price increases, which were significant in some cases, and only some of which could be passed on to customers. Ultimately, the ongoing development of the Kontron Group will depend on whether the uncertainties and distortions on the energy markets caused by the war in Ukraine will lead to a further downturn on the overall economic situation.

Against this backdrop and in addition to the strategic goals, management continues to focus on the ongoing review and optimisation of cost structures. Within the Kontron Group, this also includes the continued reduction of rental space and in turn rental payments, as well as ongoing restrictive travel expense management. With the termination of some of the state support programmes and the end of deferred payment of taxes and duties a rise in the number of insolvencies is expected. To cushion the impact of the increased risk of default on payments, more attention will be attached to accounts receivable management. In addition, with the end of negative interest rates, promoting factoring and reverse factoring will also open up new perspectives in liquidity management. Moreover, there are also opportunities for the Kontron Group in the M&A sector, for example, to take over IoT competitors who are financially weaker at advantageous valuations, while gaining market shares as a result of agile inventory management and a better starting position on the procurement market and to expand the group's position as a leading player in the IoT sector.

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CONSOLIDATED INCOME STATEMENT



CONSOLIDATED INCOME STATEMENT IN TEUR	6M 2022	6M 2021	Q2 2022	Q2 2021
Revenues	660,677	600,583	331,012	306,490
Capitalised development costs	11,139	8,129	5,633	3,979
Other income	13,886	3,470	2,936	1,436
Expenses for materials and other services purchased	-414,742	-367,443	-205,217	-189,473
Personnel expenses	-164,446	-150,573	-82,904	-74,841
Depreciation and amortisation	-30,140	-31,688	-15,481	-16,172
Other operating expenses	-43,962	-35,859	-18,315	-17,505
Result from operations	32,412	26,619	17,664	13,914
Finance income	535	809	269	311
Finance expenses	-5,332	-5,118	-2,624	-2,761
Financial result	-4,797	-4,309	-2,355	-2,450
Earnings before taxes	27,615	22,310	15,309	11,464
Income taxes	-3,801	-2,182	-2,669	-1,055
Net income	23,814	20,128	12,640	10,409
Results from the period attributable to owners of non-controlling interests	-563	-366	-146	14
Results from the period attributable to owners of interests in parent company	24,377	20,494	12,786	10,395
Earnings per share (undiluted)	0.38	0.32	0.20	0.16
Earnings per share (diluted)	0.38	0.31	0.20	0.15
Average number of shares in circulation (in thousands undiluted)	63,631	64,251	64,130	64,130
Average number of shares in circulation (in thousands diluted)	64,631	65,251	65,130	65,130

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	6M 2022	6M 2021	Q2 2022	Q2 2021
Net income	23,814	20,128	12,640	10,409
Items that may be subsequently reclassified to profit or loss				
Unrealised gains/losses from currency translation	9,296	3,349	10,767	641
Net loss on debt instruments at fair value through other comprehensive income	-46	0	-46	0
	9,250	3,349	10,721	641
Other comprehensive income	9,248	3,350	10,719	642
Comprehensive income	33,062	23,478	23,359	11,051
of which attributable to				
Results from the period attributable to owners of non-controlling interests	-121	-271	710	18
Results from the period attributable to owners of interests in parent company	33,183	23,749	22,649	11,033

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	30.06.2022	31.12.2021
NON-CURRENT ASSETS		
Property, plant and equipment	124,665	132,536
Intangible assets	105,419	104,207
Goodwill	209,388	208,251
Financial assets non-current	12,552	12,594
Contract assets non-current	195	194
Other non-current assets	17,544	21,018
Deferred tax assets	41,214	40,179
	510,977	518,979
CURRENT ASSETS		
Inventories	246,162	187,349
Trade receivables	216,397	232,546
Contract assets current	35,120	32,834
Financial assets current	16,136	19,902
Other receivables and assets current	71,400	64,011
Cash and cash equivalents	167,608	296,512
	752,823	833,154
Total assets	1,263,800	1,352,133
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	63,631	66,096
Capital reserves	124,905	168,283
Accumulated results	241,538	239,431
Other reserves	401	-8,405
Treasury shares	0	-46,848
Equity attributable to owners of interests in parent company	430,475	418,557
Non-controlling interests	1,978	4,706
	432,453	423,263
NON-CURRENT LIABILITIES		
Financing liabilities non-current	231,618	238,376
Other financial liabilities non-current	39,979	54,084
Contract liabilities	16,125	16,952
Other liabilities non-current	488	488
Deferred tax liabilities	13,211	13,206
Provisions non-current	24,571	25,056
	325,992	348,162
CURRENT LIABILITIES		
Financing liabilities current	70,210	72,319
Trade payables	215,710	269,975
Contract liabilities	87,843	85,025
Other financial liabilities current	38,122	47,712
Provisions current	31,715	31,436
Other liabilities current	61,755	74,241
	505,355	580,708
Total equity and liabilities	1,263,800	1,352,133

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR	6M 2022	6M 2021	Q2 2022	Q2 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings before taxes	27,615	22,310	15,309	11,464
Depreciation and amortisation	30,140	31,688	15,481	16,172
Interest expenses	5,332	5,117	2,624	2,716
Interest and other income from the disposal of financial assets	-538	-809	-272	-267
Increase/decrease of provisions	-131	-6,485	-2,570	-3,143
Gains/losses from the disposal of non-current non-financial assets	361	-1,007	347	-949
Changes in inventories	-58,430	-18,347	-28,410	-7,159
Changes in trade receivable and contract assets	13,623	8,063	-2,058	-8,900
Changes in other receivables and assets	-8,641	-6,820	3,310	1,657
Changes in trade payable and contract liabilities	-50,921	-26,234	-1,166	14,529
Changes in other liabilities	-11,529	-12,894	-7,913	-6,605
Other non-cash income and expenses	-11,586	-32	-2,255	-602
Cash and cash equivalents from operations	-64,705	-5,450	-7,573	18,913
Income taxes paid	-6,348	-7,150	-3,501	-4,708
Net cash flows from operating activities	-71,053	-12,600	-11,074	14,205
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current non-financial assets	-17,144	-22,707	-8,651	-13,257
Purchase/sale of financial instruments	0	-4	0	0
Proceeds from sale of non-current non-financial assets	2,052	1,161	846	967
Disposal/purchase of financial instruments	10,787	128	3,474	926
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	-8,300	-1,569	-6,230	512
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	-966	0	-966	0
Interest income	300	539	154	343
Net cash flows from investing activities	-13,271	-22,452	-11,373	-10,509
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in financing liabilities and financial liabilities	95	45,419	0	419
Decrease in financing liabilities and financial liabilities	-30,563	-22,210	-17,123	-12,174
Interests paid	-4,418	-3,540	-2,861	-2,513
Acquisition of non-controlling interests	-1,655	-728	-1,686	-41
Dividends to owners of interests in parent company	-22,271	-19,183	-22,271	-19,183
Payments for acquisition of treasury shares	0	-16,017	0	-7,342
Net cash flows from financial activities	-58,812	-16,259	-43,941	-40,834
Changes in exchange rates	4,164	2,367	6,112	1,330
Changes in financial funds	-138,972	-48,944	-60,276	-35,808
Financial funds as of the beginning of the period	267,934	254,951	189,238	241,815
Financial funds as of the end of the period	128,962	206,007	128,962	206,007
Overdrafts	33,483	32,833	33,483	32,833
Restricted cash	5,163	4,332	5,163	4,332
Total cash and cash equivalents	167,608	243,172	167,608	243,172

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY

Development of equity IN TEUR	Subscribed capital	Capital reserves
as of January 1, 2021	66,096	169,441
COMPREHENSIVE INCOME		
Consolidated income	0	0
Other comprehensive income	0	0
	0	0
OTHER CHANGES		
Stock options	0	675
Other	0	-728
	0	-53
TRANSACTIONS WITH OWNERS OF INTERESTS		
Dividends	0	0
Repurchase of treasury shares	0	0
	0	0
as of June 30, 2021	66,096	169,388
as of January 1, 2022		
as of January 1, 2022	66,096	168,283
COMPREHENSIVE INCOME		
Consolidated income	0	0
Other comprehensive income	0	0
	0	0
OTHER CHANGES		
Stock options	0	52
	0	52
TRANSACTIONS WITH OWNERS OF INTERESTS		
Acquisition of non-controlling interests	0	953
Dividends	0	0
Capital reduction from withdrawal of treasury shares	-2,465	-44,383
	-2,465	-43,430
as of June 30, 2022	63,631	124,905

EQUITY ATTRIBUTABLE TO OWNERS OF INTERESTS IN PARENT COMPANY				NON-CONTROLLING INTERESTS	EQUITY
Accumulated results	Other reserves	Treasury shares	Total		
210,354	-15,591	-26,262	404,038	5,432	409,470
20,494	0	0	20,494	-366	20,128
0	3,255	0	3,255	95	3,350
20,494	3,255	0	23,749	-271	23,478
0	0	0	675	0	675
0	0	0	-728	0	-728
0	0	0	-53	0	-53
-19,182	0	0	-19,182	0	-19,182
0	0	-16,017	-16,017	0	-16,017
-19,182	0	-16,017	-35,199	0	-35,199
211,666	-12,336	-42,279	392,535	5,161	397,696
239,431	-8,405	-46,848	418,557	4,706	423,263
24,377	0	0	24,377	-563	23,814
0	8,806	0	8,806	442	9,248
24,377	8,806	0	33,183	-121	33,062
0	0	0	52	0	52
0	0	0	52	0	52
0	0	0	953	-2,607	-1,654
-22,270	0	0	-22,270	0	-22,270
0	0	46,848	0	0	0
-22,270	0	46,848	-21,317	-2,607	-23,924
241,538	401	0	430,475	1,978	432,453

NOTES



PRINCIPLES OF ACCOUNTING

The interim consolidated financial statements of Kontron AG (formerly S&T AG) as of June 30, 2022, have been compiled according to the financial reporting standards of the International Accounting Standards Board (IASB), of the International Financial Reporting Standards (IFRS) and to the interpretations of the IFRS Interpretation Committee (IFRS IC), as they are to be applied in the European Union. The principles of financial reporting and measurement employed in the financial statements for the year ending on December 31, 2021 were applied to the compilation of the present statements without there having been any changes in such.

The interim consolidated financial statements as of June 30, 2022, have been subject to neither an audit nor an auditor's review.

Unless otherwise noted, all amounts are denominated in thousands of euros (TEUR).

GROUP OF CONSOLIDATED COMPANIES

Comprised in the consolidated financial statements are Kontron AG and all subsidiaries upon which Kontron AG directly or indirectly exerts control. The number of companies fully consolidated in the Group developed as follows during the first six months of financial year 2022:

GROUP COMPANIES (NUMBER)	2022
Number of fully consolidated companies as of January 1	78
Group companies merged	-4
Disposals	-6
Number of fully consolidated companies as of June 30	68

The following companies were merged into others in the first half of financial year 2022:

- › Enterprise Concept SRL, Bucharest, Romania: absorbing company S&T Romania SRL, Bucharest, Romania
- › Axino Solutions GmbH, Aachen, Germany: absorbing company S&T Deutschland GmbH, Mendig, Germany
- › S&T Slovakia s.r.o., Bratislava, Slovakia: absorbing company S&T CEE Holding s.r.o., Bratislava, Slovakia
- › PSB IT-Service GmbH, Ober-Mörlen, Germany: absorbing company CITYCOMP Service GmbH, Ostfildern, Germany

ACQUISITION OF ASSETS OF CNT COMPUTER, NETZWERKE, TECHNIK GMBH, SAARWELLINGEN, GERMANY, AND CNP COMPUTER, NETZWERKTECHNIK PUSSE GMBH, SAARWELLINGEN, GERMANY

Effective January 1, 2022, S&T Deutschland GmbH, Mendig, Germany, a direct 100% subsidiary of Kontron AG, took over assets such as rental and customer contracts as well as IT equipment of CNT Computer, Netzwerke, Technik GmbH, Saarwellingen, Germany, and CNP Computer, Netzwerktechnik Pusse GmbH, Saarwellingen, Germany. CNT Computer, Netzwerke, Technik GmbH as well as CNP Computer, Netzwerktechnik Pusse GmbH particularly serve medium-sized companies in the field of ERP solutions, which will be served from the S&T Deutschland GmbH data centre in the future and will benefit from the extended range of services offered by S&T Deutschland GmbH. Furthermore, the acquisition and the new branch office will further strengthen the position of S&T Deutschland GmbH in the south-east of Germany.

The exclusively fixed purchase price for this amounted to TEUR 470.

The assets and liabilities acquired were recognised at the following preliminary fair values upon the company's initial consolidation in the Group's consolidated financial statements:

NET ASSETS ACQUIRED	IN TEUR
Property, plant and equipment and intangible assets	648
Other non-current liabilities	-288
Deferred tax liabilities	-80
Other current liabilities	-77
Net assets at fair value	203

GOODWILL	IN TEUR
Consideration transferred	470
Net assets at fair value	-203
Goodwill	267

The goodwill resulting from the preliminary purchase price allocations was assigned to the "IT Services" segment.

The analysis of the cash flows due to the acquisition of the companies takes the following form:

NET FLOW OF CASH	IN TEUR
Purchase price paid in cash	-470
Cash assumed through takeover of subsidiary	0
Cash flow from investing activities	-470

DECONSOLIDATIONS

The Kontron Group has deconsolidated the following companies in the first six months of financial year 2022:

- › FinTel Holding d.o.o. & co k.d., holdinška družba, Kranj, Slovenia: liquidation, final consolidation March 2022
- › FinTel holding d.o.o., Kranj, Slovenia: liquidation, final consolidation March 2022
- › RTSoft Project OOO, Moscow, Russia: sale, final consolidation May 2022
- › Software Development Center RTSoft OOO, Moscow, Russia: sale, final consolidation May 2022
- › RTSoft-ES OOO, Moscow, Russia: sale, final consolidation May 2022
- › RTSoft Smart Grid OOO, Moscow, Russia: sale, final consolidation May 2022

In March 2022, FinTel Holding d.o.o. & co k.d., holdinška družba, Kranj, Slovenia, and FinTel holding d.o.o., Kranj, Slovenia, were liquidated.

In April 2022, RTSoft Project OOO, Moscow, Russia, signed a contract for the sale of 55% of the shares in RTSoft Project OOO, Moscow, Russia. The purchase price amounts to approx. TEUR 13. The deconsolidation result from the disposal of RTSoft Project OOO and its direct subsidiaries – Software Development Center RTSoft OOO, Moscow, Russia, RTSoft-ES OOO, Moscow, Russia, RTSoft Smart Grid OOO, Moscow, Russia – amounts to TEUR -1,112.

NET ASSETS DISPOSED OF	IN TEUR
Cash and cash equivalents	979
Non-current assets	4,189
Current receivables and assets	2,354
Non-current liabilities	-181
Current liabilities	-5,357
Net assets disposed of at fair value	1,984
Income from sale of subsidiaries	-13
Non-controlling interests in net assets disposed of	-1,220
Reclassification currency translation differences	361
Deconsolidation result (loss)	1,112

NET FLOW OF CASH	IN TEUR
Income from sale of subsidiaries	13
Disposal of cash and cash equivalents	-979
Cash flow from investing activities	-966

COMPANIES ACQUIRED IN 2021 – FINAL PURCHASE PRICE ALLOCATIONS

As of December 31, 2021, the purchase price allocation in connection with the share acquisition of PSB IT-Service GmbH, Ober-Mörlen, Germany, was recorded at preliminary fair values.

The final calculation of the acquired assets and liabilities at fair value and the resulting goodwill – carried out within twelve months of the acquisition date – did not result in any change compared to the preliminary record dated December 31, 2021.

EQUITY

As of June 30, 2022, the share capital of Kontron AG amounted to TEUR 63,631 (December 31, 2021: TEUR 66,096). It is divided into 63,630,568 (December 31, 2021: 66,096,103) no-par value bearer shares. The reduction in share capital results from the capital reduction resolved at the 23rd Annual General Meeting on May 6, 2022, through the redemption of 2,465,535 treasury shares.

DIVIDENDS PAID

The dividend of EUR 0.35 per share proposed for the financial year 2021 was approved at the 23rd Annual General Meeting on May 6, 2022. The dividends were paid on May 25, 2022.

STOCK OPTIONS

As of June 30, 2022 the company has two stock options programmes. Eligible to participate in these are members of the Executive Board of Kontron AG and employees of Kontron AG and its subsidiaries.

The 2021 annual report contains a detailed description of the stock option programs.

During the first six months of financial year 2022 no options were exercised. Outstanding rights for the stock options program 2018 therefore total 500,000 (PY: 500,000) and 500,000 (PY: 500,000) for the stock options program 2018 (Tranche 2019).

The expenses for stock options are reported in personnel expense and came to TEUR 51 (PY: TEUR 675).

SEGMENT REPORTING

In the second half of financial year 2021, there was a change in segment reporting within the Kontron Group. In line with the change in internal corporate management and decision-making with regard to the allocation of resources, S&T Slovenija d.d. has been allocated to the "IoT Solutions Europe" segment as of financial year 2021. Prior to this change, S&T Slovenija d.d. was allocated to the "IT Services" segment; the previous year's figures have been adjusted accordingly.

6M 2022 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Total revenues	284,425	404,239	61,253	749,916
Internal revenues	-8,140	-74,636	-6,464	-89,240
Revenues	276,285	329,603	54,789	660,677
EBITDA before HQ-Charging	19,566	42,100	885	62,552
EBITDA after HQ-Charging	23,251	39,145	156	62,552
6M 2021 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Total revenues	252,786	371,583	52,717	677,085
Internal revenues	-9,798	-60,686	-6,017	-76,502
Revenues	242,987	310,897	46,699	600,583
EBITDA before HQ-Charging	20,489	36,803	1,015	58,307
EBITDA after HQ-Charging	24,219	34,002	86	58,307

Q2 2022 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Total revenues	137,215	206,356	35,353	378,924
Internal revenues	-3,635	-40,267	-4,011	-47,912
Revenues	133,580	166,089	31,343	331,012
EBITDA before HQ-Charging	11,043	21,150	953	33,145
EBITDA after HQ-Charging	12,875	19,871	399	33,145
Q2 2021 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Total revenues	129,166	189,147	27,909	346,222
Internal revenues	-6,521	-30,143	-3,066	-39,731
Revenues	122,645	159,003	24,843	306,491
EBITDA before HQ-Charging	10,419	18,132	1,535	30,086
EBITDA after HQ-Charging	12,490	16,712	884	30,086

“EBITDA before HQ-Charging” represents EBITDA before expenses for headquarters are cleared by Kontron AG, while “EBITDA after HQ-Charging” contains all costs. In addition, the segment “IT Services” covers all costs for Kontron AG (headquarters costs), that cannot be distributed functionally among the other segments. The effects upon consolidated income that are not directly associated with the operative businesses of the segments are therefore also reported in the “IT Services” segment.

Revenues from contracts with customers are comprised of the following:

6M 2022 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	178,401	45,662	224,063
Sale of products from third parties (hardware and software)	113,676	51,236	156	165,068
Recurring operating services	140,192	96,452	8,971	245,615
One-time project services	22,417	3,514	0	25,931
Total revenues from contracts with customers	276,285	329,603	54,789	660,677

6M 2021 IN TEUR	IT SERVICES	IOT SOLUTIONS EUROPE	IOT SOLUTIONS AMERICA	TOTAL
Sale of products featuring proprietary technologies (hardware and software)	0	163,750	42,900	206,650
Sale of products from third parties (hardware and software)	95,441	68,460	139	164,040
Recurring operating services	132,069	76,045	3,301	211,415
One-time project services	15,477	2,642	359	18,478
Total revenues from contracts with customers	242,987	310,897	46,699	600,583

Of the revenues achieved during the first six months of financial year 2022, TEUR 55,404 were earned in Austria (PY: TEUR 52,150).

OTHER INFORMATION

The 23rd Annual General Meeting of S&T AG (subsequently renamed Kontron AG) was held on May 6, 2022. In accordance with § 1 section 2, COVID-19-GesG (Health and Food Safety Act), Austrian Civil Code (BGBI) I no. 16/2020 BGBI as amended I no. 246/2021 and the COVID-19-GesV (Corporate Law), BGBI. II no. 140/2020 BGBI as amended II no. 609/2021 it was held as a virtual meeting. At this virtual AGM, the following resolutions were passed:

- › Resolution to distribute a dividend of EUR 0.35 per share with dividend entitlement and to carry forward the remaining retained earnings onto new account;
- › Resolution on the election of the auditor and group auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the financial year 2022;
- › Resolution on capital reduction by redeeming 2,465,535 treasury shares;
- › Resolution on the authorisation to buy back treasury shares and to use treasury shares;
- › Resolution on changing the name of S&T AG to Kontron AG, including amendment to the articles of association;
- › Resolution on the election of Joseph John (alias Joe) Fijak and Fu-Chuan (alias Steve) Chu to the Supervisory Board of S&T AG for the maximum statutory period after the term of office ended in accordance with the statutes with the Annual General Meeting for the members of the Supervisory Board Hui-Feng (alias Ed) Wu and Fu-Chuan (alias Steve) Chu.

RELATED PARTY DISCLOSURES

In the course of normal business operations, relationships of supply and service provision exist with affiliated companies and persons, which primarily include Ennoconn Corporation, Taiwan, and Hon Hai Precision Industry Co. Ltd., Taiwan. In this context, a reverse factoring program was initiated in the first half of 2022. There is also a liability from a shareholder loan and a rental agreement for the use of office space. Business transactions with related companies and persons are conducted at arm's length.

EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events that occurred after June 30, 2022, pending the preparation of this report.

DECLARATION OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Linz, August 4, 2022



Hannes Niederhauser m.p.



Michael Jeske m.p.



Richard Neuwirth m.p.



Dr. Peter Sturz m.p.



Michael Riegert m.p.



Dr. Clemens Billek m.p.

Our annual report, quarterly reports and other bulletins are available at <https://ir.kontron.ag> from the day of publication. Any changes to schedules and dates are also announced on our website in good time.

This half-year management report was published on August 4, 2022. The report is available in German and English. The English version is provided for convenience only. The German version is definitive.

This half-year report contains statements that refer to future developments. These are based on assumptions and estimates made by the Executive Board. Although we are of the opinion that the assumptions and estimates are realistic and correct, they are subject to certain risks and uncertainties that may cause actual future results to diverge materially from the assumptions and estimates. Factors that may result in a discrepancy include changes in the overall economic, business, financial and competitive situation, exchange and interest rate fluctuations as well as changes to the business strategy. We cannot guarantee that the future development and actual future results will coincide with the assumptions and estimates expressed in this half-year report. Assumptions and estimates presented in this half-year report will not be updated.

FINANCIAL CALENDAR

2022



04.08.2022	Half-year report 2022 (Earnings-Call Q2 2022)
03.11.2022	Q3-quarterly statement 2022 (Earnings-Call Q3 2022)
28.11.2022	Equity forum (28.11. - 30.11.2022)

Further details available under

https://ir.kontron.ag/Finacial_calendar.en.html

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